Supreme Court, U.S.
FILED
FEB 17 1998
CLERK

No. 97-999

In The

Supreme Court of the United States

October Term, 1997

SOFTEL, INC.,

Petitioner,

vs.

DRAGON MEDICAL AND SCIENTIFIC COMMUNICATIONS, INC.; DRAGON GROUP LTD., also known as Dragon Medical and Scientific Communications, Ltd.; JOHN R. DARSEE, H. EUGENE HODGE, NINA ROMANOFF,

Respondents.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Second Circuit

RESPONDENTS' BRIEF IN OPPOSITION

WILLIAM A. ROME
JAFFE AND ASHER
55 Vanderbilt Avenue
New York, New York 10017
(212) 687-3000

BRUCE H. SCHNEIDER
Counsel of Record
STROOCK & STROOCK & LAVAN
180 Maiden Lane
New York, New York 10038
(212) 806-5400

Attorneys for Respondents

144752

(800) 274-3321 • (800) 359-6859
A DIVISION OF COUNSEL PRESS

Lutz Appellate Services, Inc.

PARTIES TO THE PROCEEDING

The respondents before the Court are Dragon Medical and Scientific Communications, Inc. and John R. Darsee. The petition does not seek review with respect to defendants H. Eugene Hodge and Nina Romanoff, as to whom the complaint was dismissed. Although Dragon Group Ltd.'s name appears in the caption, leave to add that defendant was denied in a Memorandum and Order that is not before the Court for review. 1995 WL 75490 (S.D.N.Y. Feb. 23, 1995).

Dragon Group, Ltd., a United Kingdom corporation, was the corporate parent of respondent dragon Medical and Scientific Communications, Inc. Dragon Medical and Scientific Communications, Inc. has wound up its affairs. A48. The corporate respondents have nonwholly owned subsidiaries.

TABLE OF CONTENTS

	Page
Parties to the Proceeding	i
Table of Contents	ii
Table of Citations	ii
Counterstatement of the Case	1
A. The District Court's Finding of Infringement	1
B. The District Court's Determination of Damages	5
C. The Circuit Court's Opinion	6
Reasons for Denying the Writ	7
Conclusion	16

TABLE OF CITATIONS

Cases Cited:

A.F.A. Tours, Inc. v. Whitchurch, 937 F.2d 82 (2d Cir. 1991)	14
Apple Computer, Inc. v. Microsoft Corporation, 35 F.3d 1435 (9th Cir. 1994.)	8

Contents

	Page
Atari Games Corp. v. Nintendo of America, Inc., 975 F.2d 832 (Fed. Cir. 1992)	9, 11
Baker v. Selden, 101 U.S. 99 (1880)	11
Bateman v. Mnemonics, Inc., 79 F.3d 1532 (11th Cir. 1996)	9
Baystate Technologies v. Bentley Systems, Inc., 946 F. Supp. 1079 (D. Mass. 1996)	9, 11
Brotherhood of Locomotive Firemen and Engineermen v. Bangor & Aroostook R., 389 U.S. 327 (1967)	13
Computer Associates Int'l, Inc. v. Altai, Inc., 982 F.2d 693 (2d Cir. 1992)	1, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 15
Control Data Systems, Inc. v. Infoware, Inc., 903 F. Supp. 1316 (D. Minn. 1995)	9, 10, 11
David Fox & Sons, Inc. v. King Poultry Co., 23 N.Y. 2d 914, 246 N.E. 2d 166, 298 N.Y.S. 2d 314 (1969)	14
Engineering Dynamics, Inc. v. Structural Software, Inc., 46 F.3d 408 (5th Cir. 1995), *denying rehearing and adhering to original panel decision*, 26 F.3d 1335 (5th Cir. 1994)	8, 11
Feist Publications, Inc. v. Rural Telephone Service Co., 499 U.S. 340 (1991)	10

Contents

Page

Ferber v. Sterndent Corp., 51 N.Y. 2d 782, 412 N.E. 2d 1311, 433 N.Y.S. 2d 85 (1980) 13, 14

Freeman v. Package Machinery Co., 865 F.2d 1331 (1st Cir. 1988) 15

Gates Rubber Co. v. Bando Chemical Industries Limited, 9 F.3d 823 (10th Cir. 1993) 8, 11

Harbor Software, Inc. v. Applied Systems, Inc., 925 F. Supp. 1042 (S.D.N.Y. 1996) 11

Lotus Development Corporation v. Borland International, Inc., 49 F.3d 807 (1st Cir. 1995), *aff'd by equally divided court*, 516 U.S. 1007 (1995) ... 9

Mitek Holdings, Incorporated v. Arce Engineering Company, 89 F.3d 1548 (11th Cir. 1996) 9

Mitel, Inc. v. Iqtel, Inc., 124 F.3d 1366 (10th Cir. 1997) 9, 11, 12

Neely v. Martin K. Eby Construction Co., 386 U.S. 317 (1967) 7

Ring v. Estee Lauder, Inc., 702 F. Supp. 76 (S.D.N.Y. 1988), *aff'd per curiam*, 874 F.2d 109 (2d Cir. 1989) 14

Sega Enterprises Ltd. v. Accolade, Inc., 977 F.2d 1510 (9th Cir. 1992) 8, 10

Contents

	Page
United States v. Lovasco, 431 U.S. 783 (1977)	7
United States v. Ortiz, 422 U.S. 891 (1975)	7
United States v. Williams, 504 U.S. 36 (1992)	8
University Computing Co. v. Lykes-Youngstown Corp., 504 F.2d 518 (5th Cir. 1974) 6, 7, 14, 15	
Virginia Military Institute v. United States, 508 U.S. 946 (1993)	13
Westerman v. Sears, Roebuck & Co., 577 F.2d 873 (5th Cir. 1978)	15
Whelan Associates, Inc. v. Jaslow Dental Laboratory, Inc., 797 F.2d 1222 (3d Cir. 1986), *cert. denied*, 479 U.S. 1031 (1987)	10
Wolf v. Weinstein, 372 U.S. 633 (1963)	15

Statutes Cited:

17 U.S.C. § 102	10, 12
17 U.S.C. § 102(a)	10, 12
17 U.S.C. § 102(b)	10, 12

Contents

Page

Other Authorities Cited:

Copyright Act, § 504(b) 5

R. Stern, *et al.*, *Supreme Court Practice* § 4.18 (7th ed. 1993) 13

COUNTERSTATEMENT OF THE CASE

This petition purports to present two questions for review:

> 1. Whether, in determining whether a claimed non-literal similarity in computer programs constitutes copyright infringement, a court may apply the "abstraction-filtration-comparison test" of *Computer Associates Int'l, Inc. v. Altai, Inc.*, 982 F.2d 693 (2d Cir. 1992) ("*Altai*"), and use recognized limitations on copyright protection (such as the scenes a faire doctrine) to filter out uncopyrightable elements where those " 'filtering' criteria are not included in Sections 102(a) and 102(b) of the Copyright Act"?
>
> 2. Whether the use of the *Altai* test and " 'filtration' criteria", and the purported use of "copyright damage formulas," in determining state-law trade secret claims "is a *de facto* preemption of state trade secret law in violation of Section 301 of the Copyright Act . . .?"

Pet. i. Neither of these issues was "pressed or passed upon" in the Court of Appeals and should not be addressed by this Court.

Furthermore, the petition does not seriously address the claimed importance of these issues which it purports to present. Instead, the petition is a broad attack on the *Altai* decision which was not challenged in the Court of Appeals, and which has come to be widely respected as providing a sound analytic approach to issues of non-literal infringement of copyrights in computer programs.

A. The District Court's Finding of Infringement

Respondent Dragon Medical and Scientific Communications, Inc. ("Dragon") had been engaged in the business of designing

and developing interactive computer programs to present medical and scientific information, principally for pharmaceutical companies. A.2. In October 1984, Dragon and Roche Laboratories tentatively agreed that Dragon would develop at least three videodisc programs — Melanoma, Kaposi Sarcoma and Hairy Cell Leukemia ("Hairy Cell") — to educate physicians about the diagnosis and medical management of cases of those types of cancer. A.6.

In November 1984, respondent Darsee, a Dragon employee, purchased Videogram 2.0, a "paint-and-draw" computer graphics program from petitioner Softel, Inc. ("Softel"). A.4. Beginning in June 1985, Dragon hired Softel to write computer code for use in the Melanoma and Kaposi videodisc programs that would retrieve and display medical graphic images created by Dragon using Videogram 2.0 (the "Image Retrieval Routines").[1]

Darsee gained access to Softel's source code and thereafter used the Image Retrieval Routines to retrieve and display Videogram 2.0 images in two subsequent Dragon interactive programs, Hairy Cell and Low Back Pain. A.12-14.

When plaintiff commenced this litigation in January 1987, its claims were limited to Dragon's literal infringement of Softel's computer code in Hairy Cell and Low Back Pain. In 1988, Dragon produced certain other programs (the "Post-Litigation Programs"). A.18. The Post-Litigation Programs were designed

---

1. The Image Retrieval Routines were certain computer codes which performed the functions of retrieving the graphic image files, decompressing them from their Videogram 2.0 format, and displaying them on the computer screen. A.10. This code was written in the BASIC computer language which, in turn, "called" five routines written in assembly language, a computer language more akin to machine language.

to utilize more advanced EGA and VGA graphics cards which had become commercially available in the intervening years. As a result of its decision to use the EGA or VGA cards, Dragon no longer used images drawn with Videogram 2.0 which was not designed for use on that more advanced hardware. Since Dragon was not using Videogram 2.0 to create graphic images, it had no need for the Image Retrieval Routines, and their code was not incorporated in any of the Post-Litigation Programs. A.19.

There was no literal similarity between the computer code contained in the copyrighted work and the Post-Litigation Programs. A.19. Softel maintained, however, that its copyright afforded it a protectable interest with respect to the following four non-literal elements of its program:

(i) a hierarchical series of menus (*i.e.*, the use of a screen menu to select a choice which, in subsequent screens, presents the user with a further menu of sub-choices) with a touchscreen;

(ii) modules of computer code organized by the function they perform;

(iii) an external (rather than embedded) file structure; and

(iv) English-language commands.

A.19-21.

The District Court found that Hairy Cell and Low Back Pain infringed plaintiff's copyright through the literal use of the Image Retrieval Routines. A.24.

With respect to Softel's claims of non-literal infringement, the District Court used the test prescribed by *Altai* and rejected all of the claims of non-literal infringement. A. 31-33.

The District Court explained its task under *Altai* as follows:

> First, using the abstractions test the court is directed to examine the allegedly copied program's structure and isolate each level of abstraction. [i.e., the abstraction step]. . . . Second, the court is to examine the "structural components at each level of abstraction to determine whether their particular inclusion at that level was "idea" or was dictated by considerations of efficiency, so as to be necessarily incidental to that idea; required by factors external to the program itself; or taken from the public domain. . . ." These components are filtered out of the analysis as they are non-protectable expression. [i.e., the filtration step]. . . .Third, the court must compare the elements which are left with the structure of the allegedly infringing program to determine whether there is substantial similarity between the two works [i.e., the comparison step].

A.30 (citations to *Altai* omitted). The District Court analyzed each of the four elements identified by Softel as the predicate for its claim of non-literal similarity. A.31-33. The Court held that

> it is now settled law in this circuit that expression which is standard or the most efficient means of accomplishing a task merges with the idea and is not entitled to copyright protection. In sum, even at the broadest level of abstraction, all of the elements which plaintiff claims are protectable expression are

> not entitled to copyright protection as they are merely stock elements which are commonly used or mandated by efficiency considerations.

A.33. "Since each of the elements which plaintiff claims are entitled to copyright protection are filtered out at the second step of the [*Altai*] analysis," the District Court found it unnecessary to proceed to the final step of comparison. *Id.*

The District Court reached a similar conclusion with respect to the state-law trade secret claim. The Court found that respondents' use of the Image Retrieval Routines was a misuse of Softel's trade secrets but found that the trade secret claim predicated on the non-literal elements of the computer code failed. The Court rejected that portion of the trade secret claim because Softel's president had "freely discussed" his use of the alleged trade secrets and because "these elements were not novel or original," which is a required element of a trade secret claim under New York law. A.35.

B. The District Court's Determination of Damages

A separate trial was conducted as to the damages that resulted from the infringement and trade secret violation. Pursuant to § 504(b) of the Copyright Act, Softel was awarded the actual damages it suffered, which the Court found to be $7,000 in license fees which Softel would have earned from the licenses Dragon should have obtained to permit the two uses it made of the Image Retrieval Routines in Hairy Cell and Low Back Pain. A.46. The Court also found that 50% of Dragon's profits from those programs were "profits of the infringer that are attributable to the infringement" and awarded plaintiff an additional $27,880.28. A.46-48.

As to the trade secret claim, New York law measures damages as "either plaintiff's losses or the profits or other benefits

gained by defendants through the use of the trade secret." A.52 and cases cited. Softel argued that plaintiff's losses should be measured as the amount of a "reasonable royalty." Relying upon *University Computing Co. v. Lykes-Youngstown Corp.*, 504 F.2d 518 (5th Cir. 1974), Softel argued that its damages should be measured as its costs of development times a multiplier to reflect what plaintiff claimed was the likely return on that investment. The District Court rejected this measure since defendant had, in fact, earned profits; following *University Computing*, the Court found that, under the circumstances, the preferable measure was one based on the amount of the defendants' profits. A.52-53.

The District Court found that defendants' profits from copyright infringement and trade secret misappropriation were coextensive, and since plaintiff was entitled to only a single recovery of defendants' profits, the trade secret damages were already subsumed within the copyright damages award of profits. A.53, 58.

C. The Circuit Court's Opinion

The Second Circuit affirmed the District Court's decisions in substantial part but remanded a portion of the case that is relevant to consideration of this petition.

The Circuit Court affirmed the District Court's finding that Hairy Cell and Low Back Pain infringed Softel's Image Retrieval Routines. With respect to the claim of non-literal infringement involving the Post-Litigation Programs, the Circuit Court agreed that *Altai* provided the controlling standard, and did not disagree with the District Court's analysis that each of the four elements of claimed similarity, taken individually, was used pervasively in computer programming. A.78. The Circuit Court found, however, that the District Court's analysis did not give adequate consideration to Softel's contention that the combination of the

four elements of those individually unprotectable elements were copyrightable, and remanded that issue for further findings, with respect to whether the combination of those individually unprotectable elements were copyrightable expression under the Copyright Act and protectable as a trade secret. A.79, 81.

The Circuit Court held that the District Court had properly rejected plaintiff's damage theory for an award of a multiple of its development costs. The Second Circuit reasoned that *University Computing* itself recognized that this measure of damages would be "appropriate only where the defendant had destroyed the value of the secret." A.83. The Circuit Court agreed with the District Court that defendants' use of Softel's trade secrets "did not destroy their value to Softel, other than to the extent that Dragon itself used them." *Id.*; see also A.27.

REASONS FOR DENYING THE WRIT

1. The "Questions Presented" in the petition were not pressed or passed upon in the District Court or in the Court of Appeals. Furthermore, there are no exceptional circumstances which would warrant this Court departing from its established practice and granting review of these issues. *See, e.g., United States v. Lovasco*, 431 U.S. 783, 788 n.7 (1977); *United States v. Ortiz*, 422 U.S. 891, 898 (1975); *Neely v. Martin K. Eby Construction Co.*, 386 U.S. 317, 330 (1967).

Although not identified as one of the "Questions Presented," as is evident from the arguments Softel makes, the petition seeks to challenge the *Altai* test as the means of analyzing a claim of non-literal infringement of a computer program. In the Court of Appeals, Softel did not seek to have *Altai* overruled as erroneous but, instead, acknowledged that *Altai* governed and argued that the District Court had misapplied the recognized test. The use of the *Altai* test by the Second Circuit, without

direct challenge, does not appropriately call up the *Altai* decision for review by this Court. *See United States v. Williams*, 504 U.S. 36, 59 (1992) (Stevens, J., dissenting) (the Supreme Court has "never suggested that the fact that a court has repeated a settled proposition of law and applied it, without objection, in the case at hand provides a sufficient basis for [the Court's] review"). The petition's attempt to pose a plenary challenge to *Altai* is not appropriately before the Court.

2. In contending that there is a conflict in the law among the Circuits, Softel misstates the state of the law. Contrary to the assertions in the Petition, the "abstraction-filtration-comparison" test of *Altai* has been accepted and followed virtually uniformly by courts considering claims of non-literal infringement of computer program copyrights. In addition to courts within the Second Circuit, the test has been substantially adopted by the following Circuit and District Courts:

Fifth Circuit: *Engineering Dynamics, Inc. v. Structural Software, Inc.*, 46 F.3d 408, 409-10 (5th Cir. 1995), *denying rehearing and adhering to original panel decision*, 26 F.3d 1335, 1342 (5th Cir. 1994) ("Generally, we endorse the abstraction-filtration-comparison method. . .").

Ninth Circuit: *Apple Computer, Inc. v. Microsoft Corporation*, 35 F.3d 1435, 1445 (9th Cir. 1994.) ("Other courts perform the same analysis, although articulated differently," citing *Altai*). *Sega Enterprises Ltd. v. Accolade, Inc.*, 977 F.2d 1510, 1525 (9th Cir. 1992) ("In our view, in light of the essentially utilitarian nature of computer programs, the Second Circuit's approach is an appropriate one.") (citing *Altai*).

Tenth Circuit: *Gates Rubber Co. v. Bando Chemical Industries Limited*, 9 F.3d 823, 824 (10th Cir. 1993) ("In

substantial part, we adopt the "Abstraction-Filtration-Comparison" test. . . .") (citing *Altai*); *Mitel, Inc. v. Iqtel, Inc.*, 124 F.3d 1366, 1371 (10th Cir. 1997) ("In recent opinions this court has relied increasingly upon the conceptual framework known as abstraction-filtration-comparison. . . .").

Eleventh Circuit: *Bateman v. Mnemonics, Inc.*, 79 F.3d 1532, 1543-45 (11th Cir. 1996) (citing *Altai*); *Mitek Holdings, Incorporated v. Arce Engineering Company*, 89 F.3d 1548, 1553 (11th Cir. 1996) (applying "Altai abstraction-filtration-comparison test").

Federal Circuit: *Atari Games Corp. v. Nintendo of America, Inc.*, 975 F.2d 832, 839 (Fed. Cir. 1992) (citing *Altai*).

In addition to the District Courts within these Circuits, the *Altai* test has also been applied by the District of Minnesota in *Control Data Systems, Inc. v. Infoware, Inc.*, 903 F. Supp. 1316, 1322 (D. Minn. 1995).

Softel attempts to suggest that the law in the First Circuit may be different. *Lotus Development Corporation v. Borland International, Inc.*, 49 F.3d 807, 814 (1st Cir. 1995), *aff'd by equally divided court*, 516 U.S. 1007 (1995), held that the *Altai* test for non-literal infringement should not be applied to "literal copying of the Lotus menu command hierarchy." The *Borland* Court recognized that "the *Altai* test may provide a useful framework for assessing the alleged nonliteral copying of computer code. . . ." *Id.* at 815. A subsequent decision of the District of Massachusetts applied the abstraction-filtration-comparison test. *Baystate Technologies v. Bentley Systems, Inc.*, 946 F. Supp. 1079, 1089 (D. Mass. 1996) (citing *Altai*). With respect to a claimed different rule in the First Circuit, the Eleventh Circuit has termed any disagreement between *Borland*, and *Gates* and *Altai* "as more of a matter of semantics than substance." *Bateman v. Mnemonics*, 79 F.3d at 1545.

The only Circuit to take a different approach was the Third Circuit in *Whelan Associates, Inc. v. Jaslow Dental Laboratory, Inc.*, 797 F.2d 1222 (3d Cir. 1986), *cert. denied*, 479 U.S. 1031 (1987), which predated *Altai*. The *Whelan* decision has been criticized by numerous courts and commentators. *See, e.g., Altai*, 982 F.2d at 705; *Sega Enterprises v. Accolade*, 977 F.2d at 1525 ("The Whelan rule . . . has been widely — and soundly — criticized as simplistic and overbroad."). Since *Altai*, no Circuit Court has chosen to follow *Whelan* rather than *Altai* and, in light of this strong following, there is no assurance that the Third Circuit would adhere to *Whelan* if presented with those issues today. Some courts have been able to harmonize *Whelan* with these other cases sufficiently to determine that the outcome under either analysis would be the same. *See, e.g., Control Data Systems*, 903 F. Supp. at 1322 n.4. The *Altai* approach has been so widely accepted, and *Whelan* so uniformly rejected, that the differences between the Circuits, are not so substantial as to necessitate this Court's review.

3. With respect to the first issue which the Petition purports to raise — *i.e.*, whether factors other than those specified in 17 U.S.C. § 102(a) and (b) may be considered in the filtration step to deny copyright protection—there has also been very substantial agreement among those courts that have considered the issue.

"[T]he mere fact that a work is copyrighted does not mean that every element of the work may be protected." *Feist Publications, Inc. v. Rural Telephone Service Co.*, 499 U.S. 340, 348 (1991). Elements of a work may not be copyrightable subject matter under provisions of the Copyright Act itself. *See, e.g.*, 17 U.S.C. § 102. In addition to these statutory limitations, there are other recognized non-statutory limitations on copyright protection, among them: information in the public domain, the merger doctrine and the scenes a faire doctrine. "Under the

merger doctrine, copyright protection is denied to expression that is inseparable from or merged with the ideas, processes, or discoveries underlying the expression." *Gates*, 9 F.3d at 838. *See also Baker v. Selden*, 101 U.S. 99 (1880). The scenes a faire doctrine denies protection "to those expressions that are standard, stock or common to a particular topic or that necessarily follow from a common theme or setting." *Gates*, 9 F.3d at 838.

The filtration step in the *Altai* test is designed to filter out those elements of a computer program that are not copyrightable. *Altai*, 982 F.2d at 707; *Gates*, 9 F.3d at 836; *Engineering Dynamics*, 26 F.3d at 1344. In eliminating those elements which are not copyrightable, there is no reason to differentiate between those elements that fail to qualify for protection for statutory reasons and those that fail for non-statutory reasons.

Courts that have specifically considered the issue have agreed that the scenes a faire doctrine should be applied in the filtration step. *See, e.g., Altai*, 982 F.2d at 709 *Gates*, 9 F.3d at 835 ("In order to effectuate the purposes behind the copyright laws, it is also appropriate to apply the doctrines of merger and scenes a faire to filter out unprotectable elements."); *Engineering Dynamics*, 26 F.3d at 1344-45, 1347 n.13; *Mitel*, 124 F.3d at 1374-75; *Baystate Technologies*, 946 F. Supp. at 1087; *Control Data Systems*, 903 F. Supp. at 1323; *Harbor Software, Inc. v. Applied Systems, Inc.*, 925 F. Supp. 1042, 1048 (S.D.N.Y. 1996). *Accord, Atari*, 975 F.2d at 839-40. The Eleventh Circuit explained the important role of the scenes a faire doctrine in the filtration step in preventing a copyrightholder from attaining an unwarranted monopoly over program elements resulting from external factors, which monopoly would then thwart, rather than stimulate, creativity.

> We have extended this traditional copyright doctrine to exclude from protection against infringement those elements of a work that necessarily result from external factors inherent in the subject matter of the work. For computer-related applications, these external factors include hardware standards and mechanical specifications, software standards and compatibility requirements, computer manufacturer design standards, industry programming practices, and practices and demands of the industry being serviced. . . . Because these factors concern functional aspects of a work, the scenes a faire doctrine plays a particular important role in ensuring that copyright reward and stimulates artistic creativity in a utilitarian work "in a manner that permits the free use and development of non-protectable ideas and processes" that make the work useful.

Mitel, 124 F.3d at 1375 (citing *Altai*).

The Circuit Court correctly upheld the District Court's finding that the four non-literal elements, at least viewed separately, were not protectable expression because they were commonly used devices (*i.e.*, "stock" elements) in promoting programming efficiency. A.31-33. Review by this Court is unnecessary in view of the substantial uniformity of the holdings of the lower courts that established principles of copyright law, beyond those in 17 U.S.C. § 102, should be applied in the filtration step.

4. Assuming, *arguendo*, that the Circuit Court addressed the issue and held that criteria other than those included in §§ 102(a) and (b) of the Copyright Act could be considered in the filtration step in the *Altai* analysis, that ruling is not yet ripe

for review. Notwithstanding that each of the four elements of claimed similarity, taken individually, was commonplace, the Circuit Court remanded the issue of whether the combination of those elements was protectable expression susceptible of infringement. Thus, Softel is not finally precluded by the ruling of the Circuit Court which it seeks to have reviewed. Since the Court of Appeals remanded the case, under this Court's common practice, it is not yet ripe for review. *See, e.g., Virginia Military Institute v. United States*, 508 U.S. 946 (1993); *Brotherhood of Locomotive Firemen and Engineermen v. Bangor & Aroostook R.*, 389 U.S. 327, 328 (1967). *See generally*, R. Stern, *et al., Supreme Court Practice* § 4.18, p. 196 (7th ed. 1993).[2]

5. The second question presented is styled as whether the Circuit Court's rulings with respect to Softel's trade secret claims constituted "a *de facto* preemption . . . in contravention of Section 301 of the Copyright Act." The Courts below considered Softel's common law trade secret claim on the merits and did not view that claim as being preempted. *Compare* A.34-36 *with* A.36-38. Plaintiff's claims are, in reality, claimed errors on matters governed exclusively by state law.

The second question posits that the application of *Altai*'s filtration criteria to plaintiff's trade secret claim amounted to preemption. Under settled New York law, to be protectable, the claimed trade secret must be "novel." *See, e.g., Ferber v. Sterndent Corp.*, 51 N.Y. 2d 782, 412 N.E. 2d 1311, 433

---

2. Softel's argument in the Court of Appeals was principally that the District Court had committed error in the abstraction step of the *Altai* test by not conducting its own independent abstraction, relying instead on the elements of claimed similarity identified by Softel. *See* Brief of Plaintiff-Appellant, 2d Cir., Dkt. No. 95-9151, pp. 24-28; Reply Brief of Plaintiff-Appellant, 2d Cir., Dkt. No. 95-9151, pp. 7-8; A.75-76 n.9.

N.Y.S. 2d 85 (1980). *See generally Ring v. Estee Lauder, Inc.*, 702 F. Supp. 76, 77 (S.D.N.Y. 1988), *aff'd per curiam*, 874 F.2d 109 (2d Cir. 1989) ("New York law is abundantly clear that a plaintiff is not liable under any theory for theft of an idea, absent proof that the idea was novel or original."). The District Court held that each of the four elements, considered individually, lacked the requisite element of sufficient novelty. The Circuit Court remanded the issue of whether those elements, taken in combination, satisfied New York's requirement of novelty. Hence, the Court did not treat the trade secret claim as pre-empted; it substantively addressed elements of proof relevant to both the state and federal claims, and reached a consistent conclusion. Furthermore, as with the copyright claim itself, the Circuit Court remanded this issue for further consideration, A.81-82, and it is therefore not ripe for review. *See* Point 4, *supra*.

The second question presented further posits that the District Court and the Circuit Court applied "copyright damage formulas" to minimize trade secret damages thereby effecting a "*de facto* preemption." Under New York law, damages for misappropriation of a trade secret are measured by either plaintiff's losses or the defendants' profits. *See, e.g., A.F.A. Tours, Inc. v. Whitchurch*, 937 F.2d 82 (2d Cir. 1991); *David Fox & Sons, Inc. v. King Poultry Co.*, 23 N.Y. 2d 914, 246 N.E. 2d 166, 298 N.Y.S. 2d 314 (1969).

Softel, relying on *University Computing*, argued that its damages should be measured as a "reasonable royalty" calculated as a multiple of its development costs. Both the District Court and the Circuit Court rejected this measure of damages. A.52, 83. Having found that Softel's only damages were the loss of $7,000 in royalty payments, the District Court awarded Softel defendants' profits as trade secret damages since this measure yielded plaintiff a larger recovery. A.53. The Circuit Court

affirmed finding this to be "an appropriate measure of damages under New York law." A.82.

The Second Circuit correctly rejected Softel's claim that, simply because there was an additional element to plaintiff's trade secret claim sufficient to avert preemption, did not *per se* mean that plaintiff had suffered separate damages. A.83. Since Softel had already been awarded defendants' profits as an element of its copyright damages, under familiar principles of law, Softel was not entitled to recover twice for this same element of damage. *Altai*, 982 F.2d at 720. *See also Freeman v. Package Machinery Co.*, 865 F.2d 1331, 1345 (1st Cir. 1988) ("a plaintiff is entitled to only one full recovery, no matter how many different legal grounds may support the verdict"); *Westerman v. Sears, Roebuck & Co.*, 577 F.2d 873, 879 (5th Cir. 1978) (the "law does not sanction double recoveries"). Holding that there could not be a double recovery for the same damages — once as copyright damages, and again as trade secret damages — was not a finding of preemption.

What Softel is claiming as error is that the Circuit Court rejected *University Computing* as the applicable standard of damages for this state law claim. At best, Softel is challenging a decision of the Circuit Court on an issue of state law, which presents no federal question of substance. *Wolf v. Weinstein*, 372 U.S. 633, 636 (1963).

CONCLUSION

For the reasons stated, the petition should be denied.

Respectfully submitted,

BRUCE H. SCHNEIDER
Counsel of Record
STROOCK & STROOCK & LAVAN
180 Maiden Lane
New York, New York 10038
(212) 806-5400

WILLIAM A. ROME
JAFFE AND ASHER
55 Vanderbilt Avenue
New York, New York 10017
(212) 867-3000

Attorneys for Respondents